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Canada

LOCK-UP REPORT

Grain and Feed - July 31 Lock-up Report

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Report Highlights:
This report provides production, supply, and demand estimates for Canadian wheat, barley, corn, and oats for crop years 2008/2009 and 2009/2010.

Post:
Ottawa

Commodities:
Wheat

Barley

Corn

Oats

Executive Summary:
Canadian wheat, barley, corn and oats production for 2009/2010 is forecast to be 43.7 million metric tons (MMT), a 21% decrease from 2008/2009 levels of 55.3 MMT. Anticipated lower yields and higher abandonment rates caused by poor weather conditions are the main factors contributing to this decrease. Wheat exports are forecast down 11% in 2009/2010 to 17 MMT due to lower supplies and slightly lower world demand coupled with continued strong world wheat supplies. Barley exports for marketing year 2009/2010 are forecast at 1.35 MMT, a 4% decrease from the previous year's level. This is a decrease is due to lower domestic supplies and the demand for feed barley from the United States remaining low due to plentiful United States corn supplies. Imports of corn are expected to return to average import levels of 2.4 MT due to reduced domestic supplies and an increased demand from western farmers who will be faced with a reduced supply of feed barley due to poor weather conditions. Despite a reduction in supplies, the international oats market remains flush and exports are expected to decrease further to 1.6 MMT.

Author Defined:
All Wheat

Highlights for 2009/2010

Agriculture Canada published its latest Grains and Oilseeds Outlook for the 2009/2010 crop year on July 10, 2009, and its most recent Cereals and Oilseeds Review on July 27, 2009. The production estimates for the 2009/2010 crop year in these reports are mainly based on the seeding area surveys published by Statistics Canada on June 23. It should be noted that the survey of 25,000 Canadian grains producers was conducted between May 25, 2009 and June 3, 2009, before much of the harsher weather conditions affected the crops. The survey may therefore be more reflective of the producers' intentions rather than what they are actually able to seed and bring to harvest. While Agriculture Canada forecasts production for all wheat production at 22.1 MMT, Post feels that this may be a little ambitious given the weather conditions since the survey. Post forecasts production levels in 2009/2010 to be slightly lower at 21.7 MMT. This represents a 24% drop in production levels from the previous year. This drop in production is due to a combination of factors including lower seeding rates due to the large carry-in stocks resulting from a bumper wheat crop the previous crop year and strong world wheat supplies, combined with lower yields and higher abandonment rates due to weather-related poor growing conditions. The drop in production is partially off-set by the large carry-in stocks, resulting in 28.5 MMT, or a 15% decrease in supplies compared to the previous crop year. Exports are currently forecasted to decrease by 11% to 17 MMT in 2009/2010 due in part to lower supplies and slightly lower world demand. While world wheat production in 2009/2010 is expected to be lower, world supplies remain high due to large carry-over stocks from the previous crop year. Feed wheat consumption in 2009/2010 is expected to decline 43% from year 2008/2009 levels to 2.4 MMT. This is due to a combination of factors including a downsizing and restructuring of the Canadian livestock industry and reduced demand due to higher feed prices caused by a shortage of forage as a result of poor growing conditions in 2009. Of note, while wheat may be graded as feed wheat, where it can go may be limited as there will likely be an increased occurrence of fusarium and vomitoxin which can prevent its use as feed. Therefore, this number should be interpreted with caution as "loss and waste" is included in the feed wheat component. Ending stocks in 2009/2010 are expected to fall to 5.3 MMT, well below the 5 year average level of 7.0 MMT.

Highlights for 2008/2009

All wheat exports in 2008/2009 are currently estimated at 19.1 MMT, 17% higher than the previous crop year and 20% above the 10-year average. The Canadian Wheat Board surpassed its set target of 17.1 MMT, which was considered ambitious at the time it was announced. Low 2008/2009 carry-in stocks, due to a small 2007 crop and high exports in 2007/2008, were off-set by a large, good quality 2008 crop and made exceeding the ambitious target possible. This higher pace of exports in 2008/2009 of the large wheat crop was also largely aided by the fact that the recession has led to grain being more of a priority in rail transportation. Due to the recession, transportation demand from almost every other sector is down which has made it much easier to move the large 2008 crop. Wheat for feed use has nearly doubled from the previous crop year at 4.1 MMT, and is above the five-year average of 3.6 MMT. There are several reasons for this. Ample supplies due to a large crop in 2008 helped lower prices compared to the previous highs helped increase consumption. New Country of Origin Labeling (COOL) requirements in the United States also may have had the effect of a greater proportion of livestock being fed in Canada. Farm reports also suggest that too dry conditions in Alberta and Saskatchewan and too wet conditions in the Manitoba has created poor pasture and forage conditions, requiring livestock producers to purchase more feed wheat. The situation is so serious that financial aid to livestock producers has been announced in the form of tax exemptions (see This Week in Canadian Agriculture, Issue 23, for more details). Lastly, feed is calculated as a residual and therefore "waste" or "loss" is included in this number. In some parts of Canada, forage was poor in 2008 and therefore a higher level of wheat may have gone moldy and been counted as part of the "loss" component. Despite the increase in exports, carry-out stocks are expected to remain close to the 5-year average as the increase in exports and feed consumption is not enough to off-set the large 2008 wheat crop. Carry-out stocks are forecast at 6.5 MMT, 41% higher than year 2007/2008, but close to the five year average level of 7.0 MMT.

Barley

Highlights for 2009/2010

Barley production is expected to fall to 8.8 MMT, a 26% drop from the previous crop year's level, and 23% below the 10-year average. This drop is due to lower yields and higher abandonment rates resulting from poor weather conditions. Close to average carry-in stocks will help off-set the drop in production so that supplies will only decrease to 10.9 MMT, down 19% from the previous crop year. Barley exports for marketing year 2009/2010 barley are forecast at 1.35 MMT, a 4% decrease from the previous year's level. This decrease is due to lower domestic supplies and the demand for feed barley from the United States remaining low due to higher domestic supplies of corn in the United States. Domestic consumption of feed barley is expected to decrease to 6.7 MMT in 2009/2010 due to lower supplies, higher prices, and an anticipated decrease in livestock numbers as the Canadian industry continues to downsize and restructure. Anticipated lower supplies will pull stocks down to well below the five year average. Carry-out stocks are forecast at 1.5 MMT.

Highlights for 2008/2009

Barley exports in 2008/2009 marketing year have fallen short of initial expectations. Barley exports are estimated at 1.4 MMT, a level that is 17% below the previous year's level of 3.1 MMT, and 17% below the 10-year average. This drop in exports in due to a drop in demand for feed barley by the United States. There is an estimated 30% increase in feed barley for

domestic feed use. Ample supplies, due in part to lower exports, and lower prices has helped increase feed consumption levels. Feed use also increased due to poor weather conditions in Western Canada that has forced some livestock producers in western Canada scrambling to feed their animals. In addition, as mentioned previously, more livestock is remaining in Canada to be fed due to new labeling regulations in the United States, increasing the domestic demand for feed barley. Feed consumption of barley is expected to reach 8.5 MMT in 2008/2009, slightly above the 5-year average. Carry-out stocks are forecast at 2.1 MMT, close to the 5 year average of 2.4 MMT.

Corn

Highlights for 2009/2010

While the area seeded to corn in 2009/2010 increased marginally, lower yields due to poor weather are expected to result in a slight decrease in corn production from the previous year's level. Corn production in 2009/2010 is forecast at 10.2 MMT. Imports of corn are expected to return to average import levels of 2.4 MT due to reduced domestic supplies and an increased demand from western farmers who will be faced with a reduced supply of feed barley due to poor growing conditions in 2009. Feed consumption of corn is expected to drop slightly, reflecting the downsizing and restructuring that is on-going in the Canadian hog industry. Corn for industrial usage is expected to increase as several corn ethanol plants in Ontario come on-line in 2010. Carry-out stocks are expected to remain close to the previous year's level.

Highlights for 2008-2009

Corn imports in 2008/2009 are estimated at 1.6 MMT, significantly lower than the 10-year average level of 2.4 MMT due to the availability of domestic corn and barley for feed purposes, and ample supplies of corn for industrial usage. Corn imports in 2008/2009 are estimated to have fallen to 1.6 MMT, nearly 50% less than the previous year's import level. While wheat and barley in feed consumption has increased in 2008/2009 compared to the previous year, corn for feed is expected to decrease to 8.7 MMT from 10.2 MMT in 2007/2008. The reason for this is that feed corn consumption is strongly linked to the Canadian hog industry and this sector has been harder hit than other sections of the Canadian livestock industry (herd size has been declining at a faster rate). Nevertheless, high domestic supplies (and resulting lower prices), as well as a higher percentage of hogs being fed in Canada due to COOL regulations has kept the feed consumption number for 2008/2009 close to the five year average. Due to a stable demand from ethanol plants located in the province of Ontario, the domestic consumption of corn for industrial purposes remains significantly above the 5 year average of 2.7 MMT at 3.5 MMT. Carry-out stocks are forecast at 1.1 MMT.

Oats

Highlights for 2009/2010

Oats production is forecast to fall to 2.7 MMT due to lower area seeded, and due to lower yield and higher rates of abandonment caused by poor weather and poor growing conditions. This drop in production is expected to reduce supplies to 3.9 MMT. Despite this reduction in supplies, the oats market remains flush and exports are expected to decrease further to 1.6 MMT. Expected lower supplies will draw down stocks, resulting in carry-out stocks for 2009/2010 being forecast at 600 thousand metric tons (TMT).

Highlights for 2008/2009

In 2008/2009, oats exports are currently estimated to decrease to 1.9 MMT, which represents a nearly 20% decrease from the previous year's oat export level. High supplies and low prices have resulted in a standoff that has suppressed exports. Producers continued to hold onto supplies as they hold out for a higher price, and buyers continued holding-off buying since they already have adequate supplies. This expected decrease in exports is expected to result in higher carry-out stocks. Carry-out stocks are forecast at 1.2 MMT.

Statistics

All Wheat

Wheat Canada	2007		2008		2009		
	2007/2008		2008/2009		2009/2010		
	Market Year Begin: Aug 2007		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		
	USDA Official	Old Post Data	USDA Official	Post Data	USDA Official	Jul Data	
Area Harvested	8 640	8 636	10 030	10 032	9 800	9 563	(1000 HA)
Beginning Stocks	6 865	6 865	4 561	4 561	6 831	6 450	(1000 MT)
Production	20 054	20 054	28 610	28 611	23 500	21 700	(1000 MT)
MY Imports	390	380	350	390	300	300	(1000 MT)
TY Imports	386	371	350	395	300	295	(1000 MT)
TY Imp. from U.S.	302	284	0	308	0	275	(1000 MT)
Total Supply	27 309	27 299	33 521	33 562	30 631	28 450	(1000 MT)
MY Exports	16 375	16 362	17 500	19 140	17 000	17 000	(1000 MT)
TY Exports	16 820	16 807	17 750	18 650	17 500	16 600	(1000 MT)
Feed Consumption	2 143	2 248	4 400	4 105	3 400	2 346	(1000 MT)
FSI Consumption	4 230	4 128	4 790	3 867	4 900	3 854	(1000 MT)
Total Consumption	6 373	6 376	9 190	7 972	8 300	6 200	(1000 MT)
Ending Stocks	4 561	4 561	6 831	6 450	5 331	5 250	(1000 MT)
Total Distribution	27 309	27 299	33 521	33 562	30 631	28 450	(1000 MT)
Yield	2,	2,3221	3,	2,852	2,	2,2692	(MT/HA)
TS=TD		0		0		0	

Statistical notes: HS codes for all wheat trade include 1001, 1101, 190219, 190230, 190240; conversion factor used for wheat products to grain equivalency is 1.368.

Barley

Barley	Canada	2007		2008		2009		
		2007/2008		2008/2009		2009/2010		
		Market Year Begin: Aug 2007		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		
		USDA Official	Old Post Data	USDA Official	Post Data	USDA Official	Jul Data	
Area Harvested		4 000	3 998	3 500	3 502	3 450	3 078	(1000 HA)
Beginning Stocks		1 491	1 491	1 568	1 568	2 873	2 100	(1000 MT)
Production		10 984	10 984	11 780	11 781	9 400	8 775	(1000 MT)
MY Imports		55	57	75	38	50	35	(1000 MT)
TY Imports		53	55	75	33	50	33	(1000 MT)
TY Imp. from U.S.		53	54	0	32	0	32	(1000 MT)
Total Supply		12 530	12 532	13 423	13 387	12 323	10 910	(1000 MT)
MY Exports		3 046	3 078	1 600	1 400	1 800	1 350	(1000 MT)
TY Exports		2 947	2 980	1 600	1 440	1 800	1 350	(1000 MT)
Feed Consumption		6 616	6 567	7 700	8 500	7 600	6 700	(1000 MT)
FSI Consumption		1 300	1 319	1 250	1 387	1 200	1 360	(1000 MT)
Total Consumption		7 916	7 886	8 950	9 887	8 800	8 060	(1000 MT)
Ending Stocks		1 568	1 568	2 873	2 100	1 723	1 500	(1000 MT)
Total Distribution		12 530	12 532	13 423	13 387	12 323	10 910	(1000 MT)
Yield		3,	2,7474	3,	3,3641	3,	2,8509	(MT/HA)
TS=TD			0		0		0	

Statistical note: Barley trade numbers do not include products; conversion factor used for grain equivalency of barley products (malt) is 1.338688.

Corn

Corn	Canada	2007		2008		2009		
		2007/2008		2008/2009		2009/2010		
		Market Year Begin: Sep 2007		Market Year Begin: Sep 2008		Market Year Begin: Sep 2009		
		USDA Official	Old Post Data	USDA Official	Post Data	USDA Official	Jul Data	
Area Harvested		1 370	1 369	1 170	1 169	1 200	1 188	(1000 HA)
Beginning Stocks		1 337	1 337	1 457	1 457	1 857	1 100	(1000 MT)
Production		11 649	11 649	10 800	10 582	10 300	10 175	(1000 MT)
MY Imports		3 182	3 182	1 800	1 800	2 400	2 400	(1000 MT)
TY Imports		3 117	3 117	1 800	1 490	2 400	2 400	(1000 MT)
TY Imp. from U.S.		3 105	3 105	0	1 485	0	2 390	(1000 MT)
Total Supply		16 168	16 168	13 857	13 849	14 357	13 675	(1000 MT)
MY Exports		842	830	500	320	400	320	(1000 MT)
TY Exports		844	841	500	310	400	310	(1000 MT)
Feed Consumption		10 184	10 228	7 500	8 734	8 100	7 980	(1000 MT)
FSI Consumption		3 585	3 555	4 000	3 495	4 300	4 195	(1000 MT)
Total Consumption		13 769	13 781	11 500	12 229	12 400	12 155	(1000 MT)
Ending Stocks		1 457	1 457	1 857	1 100	1 557	1 200	(1000 MT)
Total Distribution		16 168	16 168	13 857	13 849	14 357	13 675	(1000 MT)
Yield		8,	8,5081	8,	8,0807	8,	8,5648	(MT/HA)
TS=TD			0		0		0	

Statistical note: Corn exports and imports do not include products.

Oats

Oats	Canada	2007		2008		2009		
		2007/2008		2008/2009		2009/2010		
		Market Year Begin: Aug 2007		Market Year Begin: Aug 2008		Market Year Begin: Aug 2009		
		USDA Official	Old Post Data	USDA Official	Post Data	USDA Official	Jul Data	
Area Harvested		1 820	1 816	1 450	1 448	1 300	1 137	(1000 HA)
Beginning Stocks		658	658	950	950	1 295	1 200	(1000 MT)
Production		4 698	4 698	4 270	4 273	3 450	2 850	(1000 MT)
MY Imports		17	17	25	17	15	15	(1000 MT)
TY Imports		17	17	25	15	15	15	(1000 MT)
TY Imp. from U.S.		17	17	0	15	0	15	(1000 MT)
Total Supply		5 288	5 288	5 245	5 240	4 760	4 065	(1000 MT)
MY Exports		2 388	2 288	1 800	1 860	1 800	1 800	(1000 MT)
TY Exports		2 321	2 721	1 800	2 015	1 800	1 800	(1000 MT)
Feed Consumption		1 293	1 295	1 400	1 347	1 300	875	(1000 MT)
FSI Consumption		640	728	650	833	800	790	(1000 MT)
Total Consumption		1 933	2 023	2 050	2 180	1 900	1 665	(1000 MT)
Ending Stocks		950	950	1 295	1 200	960	800	(1000 MT)
Total Distribution		5 288	5 288	5 245	5 240	4 760	4 065	(1000 MT)
Yield		3,	2,5858	3,	2,951	3,	2,5307	(MT/HA)
TS=TD			0		0		0	

Statistical note: Oat exports and imports do not include products; conversion factor used for grain equivalency of oat products is: 1.823051.

Useful Resources:

Field Crop Reporting Series:
http://www.statcan.gc.ca/bsolc/olc-cel/olc-cel?catno=22-002-XFB&lang=eng

Agriculture and Agri-Food Canada, Market Analysis Division:
http://www.agr.gc.ca/pol/mad-dam/index_e.php

Canadian Wheat Board:
www.CWB.ca

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